

NORTHWESTERN Banker Newsletter

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Predict 1973 Credit Expansion

The credit markets in 1973 will be confronted with the task of providing a record \$169.8 billion to help finance the economic boom.

This is the prediction made by Salomon Brothers, New York based investment banking firm.

In the current analysis, prepared by Henry Kaufman, partner and chief economist of the firm, and its money market analyst, James J. McKeon and Albert Gross, it was said that this year's boom conditions are expected to generate important shifts in credit flows. Within the limits on the supply of funds, which are expected to hold net realized credit demands to \$169.8 billion, realized long-term private demands will fall from 1972's \$91.4 billion to an anticipated \$77.6 billion this year. But private, short-term credit demands will increase spectacularly once again from last year's \$52.7 billion to an estimated \$69.9 billion this year. In 1971, the net increase was \$25.1 billion. Treasury and Federal Agency money demands are expected to fall slightly from last year's \$23.7 billion to an estimated \$22.3 billion this year.

The projected money demands for 1973 would make three consecutive record years in credit expansion. Both the 1972 and 1973 totals are almost double the credit demands in 1970 of \$87.4 billion. In 1971, the total was \$135.0 billion.

In the analysis, Messrs. Kaufman, McKeon and Gross noted that the un-

precedented volume of credit demands financed in 1972 could in large measure be traced to a balance of favorable economic and financial conditions that might well prove transient. Among these conditions were the strong economic recovery which could draw upon unutilized plant capacity and surplus labor, overall progress in slowing the inflation rate, and a dollar which strengthened early in 1972 and remained stable for the balance of the year.

But, they point out that the task of financing the boom in 1973 will be far different from that of the two preceding years when, together with slack in the economy, there was also a rebuilding of liquidity and stimulative fiscal and monetary policies.

"In the economic conditions of 1973, shortages are likely to develop in both the economy and financial markets," the study states.

The assumptions underlying Salomon Brothers' credit demand estimates for 1973 are that the gross national product will increase by \$115 billion or 10 per cent; the momentum of real growth will be concentrated in the first eight months or so of 1973; the continued sharp upthrust in economic activity will be fueled by substantial consumer spending and increases in inventory and plant and equipment expenditures; new housing activity will remain at a very high level for at least the first half of this year; unemployment will fall close to 4½ per cent during the year, and

the rate of inflation will rise above the level now officially acceptable.

The firm's credit flow projections suggest substantial additional increases in money market interest rates and somewhat smaller increases in long-term interest rates before an improved credit market setting may develop late in 1973 or in 1974.

The analysis points out that with the effort to slow the economy falling largely on the monetary authorities, substantial remaining pockets of liquidity will have to be eliminated before the impact of monetary restraint achieves its economic objectives.

"It may well be that the traditional techniques of monetary restraint will be supplemented with other monetary restraining measures," the study said.

The Salomon Brothers' supply and demand for credit projections for 1973 expect, on the demand side, that the net increase in privately held mortgages will decline from 1972's \$58.6 billion to 1973's \$49.2 billion. The net gain in corporate bond financing is expected to be steady at \$19.7 billion compared with last year's \$19.4 billion, but state and local financing will fall sharply again from \$12.5 billion to \$7.7 billion, with most of the reduction coming in the short-term sector. The net gain of domestically held foreign bonds is expected to hold steady at about \$1 billion.

Both business loans and consumer loans will increase sharply by \$28.8 billion and \$23.0 billion, respectively,

(Turn to back page, please)



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IOWA NEWS

AFTON: Michael J. Kelly was elected to the board of the Commercial State Bank, to fill the vacancy caused by the recent death of his father, Charles G. Kelly. Robert M. Crandall was elected pres., Michael Kelly exec. v.p. & cash., and Allan L. Kirkhart v.p. & office mgr.


DES MOINES: The Nat'l Bank of Des Moines has made application to establish a bank office on the northeast corner of the intersection of I-235 & 35 St. in West Des Moines.

DES MOINES: Jerome L. Welker, v.p. of H. and Val J. Rothchild, Inc., is the new pres. of the Des Moines Mortgage Bankers Association. Other officers elected are: v.p. — John F. Folsom, a.v.p., Iowa Securities Co., sec.-treas. — Dean Han- nam, a.v.p., Valley B & T Co., directors — William F. Landholt, real estate loan officer, Iowa-Des Moines Nat'l. Bank and Ralph McAadoo, a.v.p., Newton Home Savings and Loan.

DES MOINES: Leone Barnett has been elected v.p. of First Nat'l. Bank of West Des Moines, Mike Suter elected a.c. & office mgr., Dick Vavra, Mary Lou Ride- nour and Earlene Burns a.c.'s.

KNOXVILLE: 3M Company has an- nounced plans to begin construction this spring on a multi-million dollar industrial tape plant.

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JOHN RODGERS WELCH
Correspondent
Banking Officer

MASON CITY: Roger E. Custer was elected a.c. of The First Nat'l. Bank.

MODALE: Hawkeye Bancorporation, Des Moines bank holding company, has announced the purchase of Modale Sav- ings Bank. According to Hawkeye officials the bank will become an office of State B&T of Council Bluffs. Officers and staff of the Modale Bank will contin- ue in their present positions.

ORANGE CITY: A charter has been granted for a new bank, Sioux County State Bank. Capitalization: \$500,000 consisting of \$200,000 in capital stock, \$100,000 in surplus and \$200,000 undi- vided profits. Board of directors: Stanley G. Smith, Larry Peterson and John DeWild, Rock Rapids; Ken Huisman, Orange City, and Douglas Newman, Ash- ton.

SIoux CITY: Carleton Van Dyke has announced the opening of American Banc-Services, Inc., 610 Sioux City Fed- eral Plaza Bldg. He will serve as pres., and also continue as pres. of Farmers St. Bk., Marcus, and First Tr. & Sav. Bk., Rem- sen.

STANTON: Paul A. Olson, cash., Secur- ity State Bank, has been elected pres. of the Southwest Iowa Bankers Association. Other officers: v.p. — Betty Livingston, Security T & S, Shenandoah, sec. — Neil Selko, cash., First State Bank, Tabor, Treasurer — Mary Rosmajzl, Malvern T & S.

TABOR: Robert Glynn was named dir. of First State Bank to fill the vacancy caused by the death of Glen Weather- head. He is the grandson of the late W. W. Glynn, a former bank pres.

WEBSTER CITY: The Farmers Nat'l Bank has received approval to establish a bank office at 840 Second St.



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The Nebraska Bankers Association will hold its Installment Credit Confer- ence March 6 and the Bank Management Conference March 7 at the New Tower Motor Hotel in Omaha.

AURORA: Capital of The Farmers State Bank has been increased from \$225,000 to \$450,000 by stock dividend.

BLOOMFIELD: Dennis Huttman has been named a.c. at the Farmers & Mer- chants State Bank.

DALTON: L. W. Marrin, v.p. & cash., Dalton State Bank, recently retired.

LINCOLN: Roger L. Anderson, v.p. of the First Nat'l Bank, was named 1973 Heart Fund campaign chairman for Lan- caster County.

MERNA: An application has been filed with the Nebraska Department of Bank- ing to establish Merna State Bank. A hearing on the application will be held at 1:30 p.m., April 18, at the State Capitol in Lincoln.

OMAHA: Bernard L. Engels, pres., Cen- ter Bank, has announced the appoint- ment of Richard E. Schenck to assistant loan officer.

OMAHA: Joyce E. Bjerke has been appointed dir. of marketing and public relations for the Mid City Bank. She formerly was employed in the public relations department of the Falstaff Brewing Co. in Omaha.

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OMAHA: The Douglas County Bank has promoted three officers: Harlan O. Falk to sr. v.p., marketing, Thomas J. Dodd and Fred H. Shiery to a.c.'s.

ILLINOIS NEWS

The Illinois Bankers Association group meetings to be held this week are: Group 7 - March 6 - Ramada Inn, Champaign, Group 10 - March 7 - Southern Ill. Univ., Carbondale, Group 9 - March 8 - Augustine's, Belleville.

CHICAGO: The following appointments have been announced by Robert H. Costello, pres., Pullman B & T Co.: Donald M. Krueger & Shirley M. Stigall to a.c.'s, Elmer J. Langreder to personal banking officer, Joseph S. Lovering to mortgage banking officer & Manfred B. Walke to a.t.o.

CLARENDON HILLS: Neal A. Anderson has been elected pres. & chief exec. officer of the Bank of Clarendon Hills.

GALESBURG: R. M. Bishop, pres., has announced the following staff changes at the First Galesburg Nat'l. B & T Co.: Donald S. Robinson & H. Ray Moore to v.p.'s, Larry D. Wright & Edwin Hick to a.v.p.'s, R. Roger Wise to loan officer, Charles A. Linn to trust investment officer, R. Lane Smallwood and William J. Atkinson to a.t.o.'s.

GLEN ELLYN: Ferrin E. Wilson, pres., Bank of Glen Ellyn from 1963 to 1971, died February 23 in Oak Park. He had also served as pres., Consumers Nat'l. Bank, Chicago and pres., First Nat'l Bank of Lincolnwood.

GRANITE CITY: An application to establish a new state bank, Colonial Bank of Granite City, has been filed. Total capitalization: \$1 million. Applicants: George T. Wilkins, Jr., Vasil Tarpoff, Henry W. Ross, John W. Reese, P. H. Lichtenberger, all of Granite City.

OAK PARK: Don Sandro, pres., Oak Park T & S has announced the following changes: Michael J. McGreal & John A. Pratt named v.p.'s, Stanley D. Leventman named a.v.p., commercial loans, Patrick A. Witowski promoted to a.c., commercial loans, Joan Giardina joined the staff as a.t.o.

MINNESOTA NEWS

CANNON FALLS: Paul H. Bringgold, pres., First Nat'l. Bank, has announced that James G. Huston has joined the bank as a loan officer. He was v.p. & cash., Citizens State, Big Lake.

HERMAN: Beulah Belding was appointed a.c. at the First Nat'l. Bank.

MINNEAPOLIS: L. R. Mielke has been elected v.p., liaison division, First Bank System, the Minneapolis-St. Paul based bank holding company.

PRIOR LAKE: E. N. Barsness, pres., Prior Lake State Bank, has announced the following executive promotions: Robert N. Barsness to v.p. & cash., Richard Lannon to v.p., and Rose Busse to a. loan officer.

ROSEAU: William Provance was promoted to v.p. & ag. rep. at the Citizens State Bank, Allan Dallum to v.p. & installment loan officer, and Ida Walkestad to a.c. & aud.

ST. CLOUD: The following promotions have been announced at the St. Cloud Nat'l B & T Co.: Allan E. Beilke to installment loan officer, John W. Busch to a.t.o., Richard Prom to cash.

VIRGINIA: Bernard W. Lacher has been promoted to a.v.p. at The First Nat'l. Bank of Virginia.

NORTH DAKOTA NEWS

DILWORTH: V. F. Hegeholz, pres., Clay County State, has announced the promotion of four staff members: Larry Van Deusen to secretary of the board & loan

officer, Sharon Bowlus to a.c., Curtis J. Winter to a.c. & head discount teller. Michael J. Parker has joined the Dilworth Insurance Agency.

SOUTH DAKOTA NEWS

SIOUX FALLS: Directors of Western Bank have announced the election of James M. Simpson as a.v.p. He had been associated with the installment loan department of the bank.

SIOUX FALLS: Ralph J. Rogers, Jr., general mgr., Lakeside Dairy, and Lyle B. Fenstermaker, division mgr., Central Telephone and Utilities Corp., have been elected to the board of the First Nat'l. Bank.

COLORADO NEWS

BEAR VALLEY: Directors of The First Nat'l. Bank of Bear Valley have named Michael F. Everett and Kyle J. McClaugherty v.p.'s. Both were formerly a.v.p.'s.

DENVER: Eugene H. Adams, pres., The First Nat'l. Bank of Denver, has announced the promotion of four officers. They are: Howard T. Alexander and Dorothy O. Mulvey, both formerly t.o.'s, to v.p.'s & t.o.'s; Joseph V. Libonati to v.p. from a.v.p. and Howard A. Nelson to v.p.

DENVER: T. Rex Rhodes, sr. v.p., Colorado Nat'l. has been elected to the board of directors of the bank and Merriam B. Berger has been designated director emeritus.

DENVER: Clark Raney has been elected a.c. at University Nat'l. Bank.



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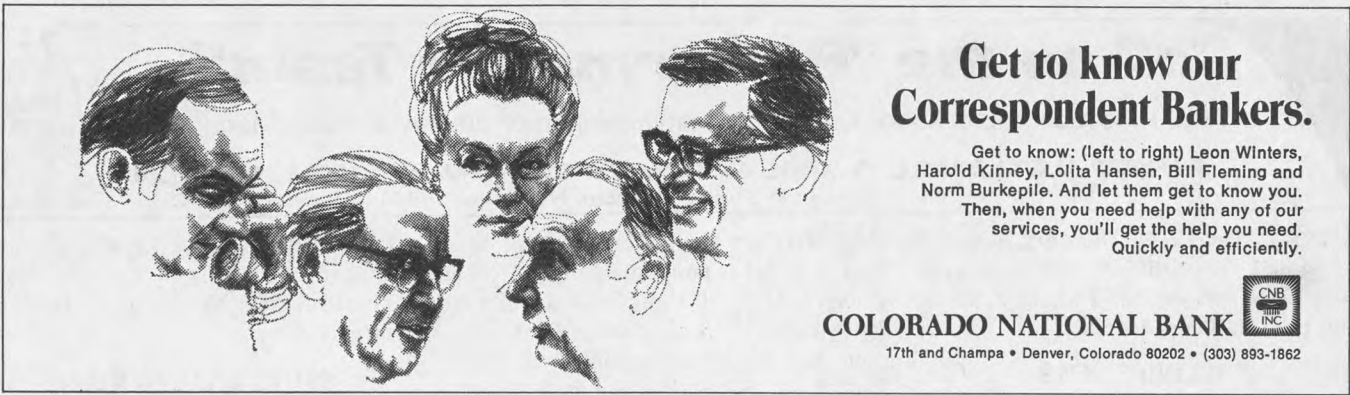
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CREDIT EXPANSION

(Continued from Page 1)

compared with \$21.6 billion and \$19.1 billion for 1972. Open market paper is expected to increase by \$8.4 billion, the largest gain since 1969 and about ten times the 1972 increase of \$800 million. The net gain in privately held Treasury debt is expected to fall to \$6.1 billion from 1972's \$14.0 billion, but privately held Federal Agency debt will rise sharply by \$16.2 billion from the previous year's \$9.7 billion increase.

It is expected that the residual category of "individual and miscellaneous investors" will be called upon to supply \$23.7 billion, nearly four times as much as in 1972 and the largest amount since 1969's \$28.9 billion.

On the supply side, commercial bank net supply of funds will fall to \$62.2 billion from the previous year's \$70.0 billion; mutual savings banks investments will fall to \$7.2 billion from \$10.1 billion and savings and loan associations will decline to \$30.7 billion from \$35.8 billion. Life insurance and fire and casualty companies net increases in investments will be about steady at \$9.1 billion and \$3.3 billion, respectively.

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